

PREMIER CONSTRUCTION SOFTWARE

YOUR ULTIMATE GUIDE TO

LIEN WAIVERS



Dive into the world of lien waivers with this comprehensive guide, offering practical tips and insights to help you confidently navigate construction transactions.



What is a Lien Waiver?



A Lien Waiver is a legal document that is signed, usually by a Subcontractor, that relinquishes their right to issue a Lien against your project. A Subcontractor, by virtue of being Subcontracted, has the right to issue a Lien against your project for non-payment. Normally, a Lien Waiver is exchanged prior to, and after payment has been made on a Subcontractors invoice. It states that the owner, either intends to, or has already made payment for the work performed on the job and due to that the Subcontractor relinquishes their right to issue a Lien against the property.

If that sounds complicated, here is an easier way to understand it. Consider a Lien Waiver as a form of receipt. It's a document that proves a Subcontractor will or has received payment for their part in a project. Because of that, they agree that they will not file a Lien against the property.

A Lien Waiver is an essential tool in the construction industry. It helps to protect your company by reducing potential liabilities and allows you to provide a better service to your end customer. Since a Lien Waiver is issued at several different times through the life of a project, this document requires some special attention.



Trouble with Lien Waivers



For such a simple, “I pay you, you don’t sue me” premise, Lien Waiver can be a very time-consuming process for issuers in the construction industry. This is because, depending on your Lien Waiver process, they may require lots of manual work. This includes; identifying the invoices and vendors that require Lien Waivers, compiling the information for the Lien Waiver, sending it out, as well as tracking and review to ensure that Subcontractors have executed them.

The Premier Lien Waiver module aims to solve all of this by automating and simplifying the Lien Waiver process. Before you use the Lien Waiver module it is helpful to know the different types of Lien Waivers and the situations as to when you might issue each.

Types of Lien Waivers

As with anything construction related, one form of a document is never enough. Lien Waivers come in two main forms (Conditional and Unconditional) with two subtypes (Partial and Final).

Conditional Lien Waivers

Conditional Lien Waivers are sent prior to payment being made on an invoice. They state that on the condition that the Vendor receives payment for a specific invoice, they will relinquish their right to issue a Lien against the project in that amount. These are conditional because they are dependent on the General Contractor actually issuing the payment. If no payment is issued the Subcontractor retains their right to issue a Lien against the property.

Unconditional Lien Waivers

Unconditional Lien Waivers are a little bit trickier. This is because they go into effect the second a Subcontractor signs them. This requires an act of good faith, usually by the General Contractor, that after they send the payment the Subcontractor will sign the Unconditional Lien Waiver. This act of good faith is reduced if your process is to send a Conditional Lien Waiver prior to sending an Unconditional Lien Waiver.

Partial and Final Lien Waivers

A Partial or Final Lien Waiver is a sub type of a Conditional or Unconditional Lien Waiver. A majority of the time a Lien Waiver is going to be sent for invoices that are tied to a Subcontract. This is because a Subcontractor has the right to issue a Lien against a project by virtue of being Subcontracted to work on that project. A Partial or Final Lien Waiver therefore refers to the status of the Subcontract.

A Partial Conditional or Unconditional Lien Waiver is sent when the invoice is for part, but not all, of the Subcontract.

A Final Conditional or Unconditional Lien Waiver is sent when the invoice is for the final amount of the Subcontract.

Who Should be Concerned with Lien Waivers?

As Lien Waivers are such a critical part in the construction process it is helpful to think of all the parties involved in the process.



General Contractors

General Contractors are the ones who arrange the work on the project and the ones who are most likely to deal directly with Subcontractors. Whether the project is their own, or if they were contracted by a client, they need to protect the project. Lien Waivers help reduce their own company's liability, as well as their end client. This helps to provide a better end service and many clients will require the General Contractors to provide the Lien Waivers they have received from their Subcontractors when they submit their own billing applications.



Subcontractors

Subcontractors are the ones with the right to issue a Lien against a project. As such, they will pay close attention to the wording of a Lien Waiver and when they sign it. This is because signing the Lien Waiver essentially takes away their leverage. Before they sign they will want to be sure that they have received payment for their work, or that it is conditional on payment being made. Ensuring the buy-in to the Lien Waiver process by your Subcontractors is vital and a requirement that could be included in the original Subcontract agreement.

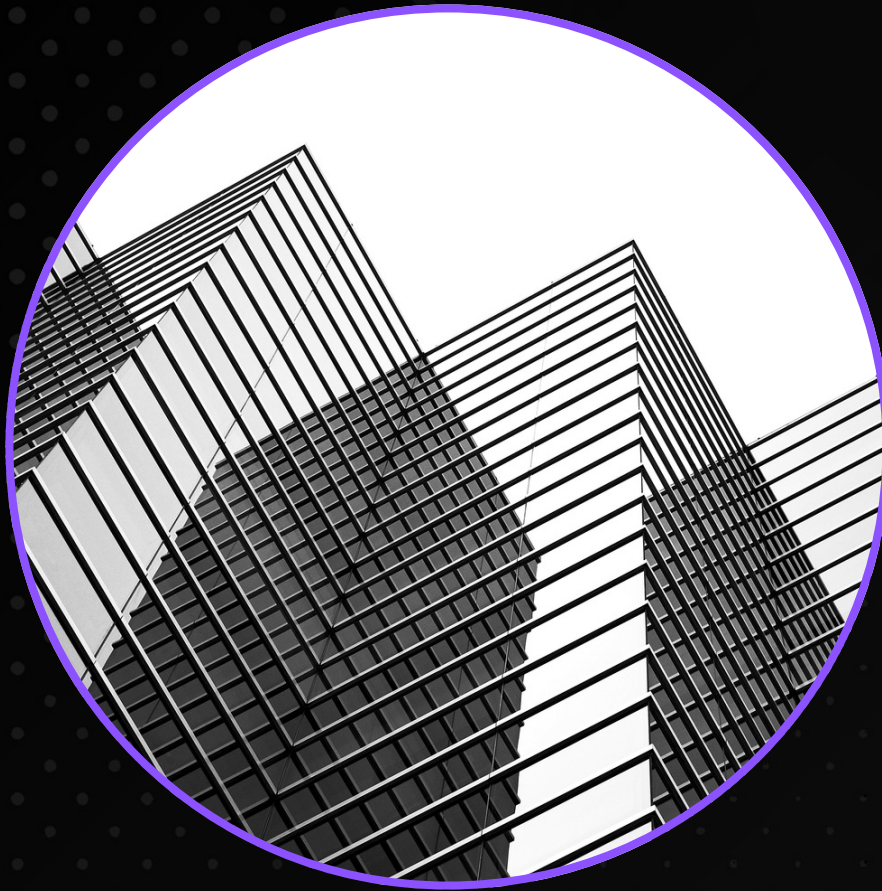
Project Owners

As mentioned above, the end owner of the project which a Lien could be registered against, may not be the General Contractor. If the Project Owner hired a General Contractor to complete the work then it is their project that the Lien may be registered against. Therefore, being able to provide the end customer with a full listing of Subcontractors hired on the project and the fully executed Lien Waivers, provides a better service to your end customer as you have reduced their liability.

Material Suppliers

Though a lot of attention is given to Subcontractors in the Lien Waiver process it is important to remember that anybody who has provided a service or materials to a project may be able to issue a Lien against that project for non-payment. Consider sending Lien Waivers to material suppliers on a project in addition to the Subcontractors to further reduce potential liabilities.

Lien Waivers in Premier



Premier has a robust Lien Waiver module to help your company easily automate the entire process.

In Premier you can track the Subcontractors and Vendors that require a Lien Waiver. You can fully customize all 4 types of Lien Waiver forms, and even upload multiple versions of each, if they differ from State to State, for instance. You can generate Lien Waivers in Premier at point of AP Approval (Conditional), AP Payment (Unconditional) or Ad-Hoc at any time through the Lien Waiver screen.

Request a demo now and learn how the Premier Lien Waiver module can help your business!



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